

**REGIONAL ENVIRONMENTAL IMPROVEMENT**  
**COMMISSION OF IOWA COUNTY, IOWA**  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2007

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

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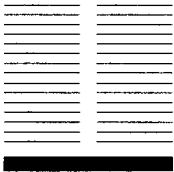
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**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

**OFFICIALS**

JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dan Ray	Chairperson	Iowa County
Ray Garringer	Vice-Chairperson	Iowa County
Theresa Phillips	Secretary-Treasurer	City of Williamsburg
Keith Stanerson	Board Member	Iowa County
James Reinhart	Board Member	Iowa County
Al Chipman	Board Member	Iowa County
Jerry Denzler	Board Member	Iowa County
Gary Edwards	Board Member	Iowa County
Chuck Gensley	Board Member	City of Millersburg
Eddie O'Brien	Board Member	City of Parnell
Kathy Wilhelm	Board Member	City of Ladora
Scott Romine	Board Member	City of North English
Jerry Smith	Board Member	City of Marengo
Alice DeRycke	Board Member	Iowa County Health Department
Richard D. Heller	Director	



**Greenwood and Crim, P.C.**  
Certified Public Accountants

Linda Crim Hopkins, C.P.A.  
Steven J. Kuhl, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
and Executive Board  
Regional Environmental Improvement  
Commission of Iowa County, Iowa  
Marengo, IA

We have audited the accompanying financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Commission's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Regional Environmental Improvement Commission of Iowa County, Iowa as of June 30, 2007, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008 on our consideration of the Regional Environmental Improvement Commission of Iowa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

*Greenwood and Aring P.C.*

March 24, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Regional Environmental Improvement Commission of Iowa County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Regional Environmental Improvement Commission of Iowa County is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

The Commission's operating receipts decreased by \$45,321, or approximately 6.38%, from fiscal 2006 to fiscal 2007.

The Commission's operating disbursements increased by \$25,363, or approximately 5.05%, from fiscal 2006 to fiscal 2007.

The Commission's net assets increased by \$221,754, or approximately 11.89%, from June 30, 2006 to June 30, 2007.

### USING THIS ANNUAL REPORT

The Commission has elected to present its financial statements on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U. S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and the related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Regional Environmental Improvement Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets – Cash Basis presents information on the Commission's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.

- The Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis presents information on the Commission’s operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission’s financial position has improved or deteriorated as a result of the year’s activities.
- The Notes to Financial Statements provide additional information essential for a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Assets – Cash Basis*

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Commission at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Commission to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Commission’s financial position by analyzing the increases and decreases in net assets.

		Assets and Net Assets	
		June 30	
		<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Cash and cash equivalents:			
Restricted		\$1,535,723	\$1,426,627
Unrestricted		<u>550,339</u>	<u>437,681</u>
Total Assets		<u>\$2,086,062</u>	<u>\$1,864,308</u>
<b>Net Assets</b>			
Net Assets:			
Restricted		\$1,535,723	\$1,426,627
Unrestricted		<u>550,339</u>	<u>437,681</u>
Total Net Assets		<u>\$2,086,062</u>	<u>\$1,864,308</u>

The largest portion of the Commission’s net assets (74%) is restricted for closure and post closure care costs. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (26%) are unrestricted net assets that can be used to meet the Commission’s obligations when they come due. Restricted net assets increased by \$109,096 during the year. Unrestricted net assets increased by \$112,658 during the year.



## *Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis*

Changes in total net assets as presented in the Statement of Net Assets – Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets-Cash Basis. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

Operating receipts are received from gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are from interest on investments and for construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2007 and June 30, 2006, is presented below:

Changes in Cash Basis Net Assets		
	Year Ended June 30	
	2007	2006
Operating receipts:		
Gate Fees – solid waste	\$ 411,905	\$ 427,913
City contributions	109,248	109,248
County contributions	128,336	160,420
Agriculture income	593	696
Miscellaneous	14,538	11,664
Total operating receipts	<u>\$ 664,620</u>	<u>\$ 709,941</u>
Operating disbursements:		
Salaries and wages	\$ 177,812	\$ 172,573
Payroll taxes	14,740	12,653
Employer share of IPERS	10,081	8,064
Benefits	38,190	40,360
Continuing education	640	1,371
Travel & mileage	673	348
Equipment purchased	600	430
Equipment repairs & rental	44,226	38,128
Equipment fuel	20,838	16,902
Recycling & cleanup expenses	13,485	14,953
Engineering fees	36,730	14,424
Lab fees	9,953	9,002
Leachate pumping system	435	21,324
Leachate system inspection & engineering	1,000	--
Agriculture expense	--	1,347
Audit	2,665	2,387
Survey	1,247	905
Cover material	--	12,687
Insurance	29,317	27,056
Rock & rock hauling	5,853	2,013
Scale house	6,082	159
Electricity & gas	10,697	9,541
Supplies	7,172	5,962
Advertising	1,803	1,143
Waste tire expenses	1,958	1,230

Sales tax	1,894	1,957
Monitoring fees	1,400	1,400
Consulting fees: semi-annual reports	3,600	7,100
DNR – tonnage fees	19,499	16,222
Buildings & grounds maintenance	37,525	20,380
ECICOG assessment	--	13,730
Legal fees	25	2,864
Office supplies and postage	3,717	4,011
Telephone	2,554	2,703
Vehicle expenses	15,152	11,338
Computer programming & expenses	1,479	1,489
Miscellaneous expenses	4,589	4,112
Total operating disbursements	<u>\$ 527,631</u>	<u>\$ 502,268</u>
Excess of Operating Receipts Over Operating Disbursements	<u>\$ 136,989</u>	<u>\$ 207,673</u>
Non-operating receipts (disbursements):		
Interest on cash investments – unrestricted	\$ 17,669	\$ 6,311
Interest on cash investments – closure/post-closure care	67,096	40,203
Closure costs	--	(58,132)
Net non-operating receipts (disbursements)	<u>\$ 84,765</u>	<u>\$ (11,618)</u>
Change in Net Assets – Cash Basis	\$ 221,754	\$ 196,055
Change in Net Assets, beginning of year	<u>1,864,308</u>	<u>1,668,253</u>
Change in Net Assets, end of year	<u>\$2,086,062</u>	<u>\$1,864,308</u>

In fiscal year 2007, operating receipts decreased by \$45,321, or approximately 6.4%, from fiscal 2006. This decrease was primarily a result of less gate receipts and the county made five assessment payments in fiscal 2006 and 4 payments in fiscal 2007. In fiscal 2007, operating disbursements increased by \$25,363, from fiscal 2006. The increase was primarily a result of engineering fees for a new cell, additional equipment repairs, increase in fuel cost, and building and ground maintenance.

## **LONG-TERM DEBT**

At June 30 2007, the Commission had no outstanding long-term debt.

## **ECONOMIC FACTORS**

The Regional Environmental Improvement commission continued to improve its operating financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.

- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Regional Environmental Improvement Commission of Iowa County, P.O. Box 371, Marengo, IA 52301.

## BASIC FINANCIAL STATEMENTS

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Net Assets - Cash Basis

June 30, 2007

ASSETS

Cash and cash investments:

Unrestricted

\$ 550,339

Restricted

1,535,723

Total Assets

\$ 2,086,062

NET ASSETS

Unrestricted net assets

\$ 550,339

Restricted for closure/post-closure care

1,535,723

Total Net Assets

\$ 2,086,062

See Notes to Financial Statements.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements  
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2007

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**OPERATING RECEIPTS**

Assessments:

Iowa County	\$ 128,336
Cities	109,248
	\$ 237,584

Gate fees - solid waste	411,905
Agriculture income	593
Miscellaneous income and reimbursements	14,538
	14,538

Total Operating Receipts	\$ 664,620
	\$ 664,620

**OPERATING DISBURSEMENTS**

Personnel costs:

Salaries and wages	\$ 177,812
Payroll taxes	14,740
Employer share of IPERS	10,081
Benefits	38,190
	\$ 240,823

Continuing education	640
Travel and mileage	673
Equipment purchased	600
Equipment repairs and rental	44,226
Equipment fuel	20,838
Recycling and cleanup expenses	13,485
Engineering fees	36,730
Lab fees	9,953
Leachate pumping system	435
Leachate system inspection and engineering	1,000
Waste tire expense	1,958
Audit	2,665
Survey	1,247
Legal fees	25
Insurance	29,317
Rock and rock hauling	5,853
	5,853

Subtotal	\$ 410,468
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**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements  
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2007

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OPERATING DISBURSEMENTS (Continued)

Subtotal forward	\$ 410,468
Scale house	6,082
Electricity and gas	10,697
Supplies	7,172
Advertising	1,803
Sales tax	1,894
Monitoring fees	1,400
Semi-annual reports	3,600
Iowa Department of Natural Resources - tonnage fees	19,499
Buildings and grounds maintenance	37,525
Office supplies and postage	3,717
Telephone	2,554
Vehicle expenses	15,152
Computer programming and expenses	1,479
Miscellaneous expenses	4,589
	<hr/>
Total Operating Disbursements	\$ 527,631
	<hr/>
Excess of Operating Receipts Over Operating Disbursements	\$ 136,989
	<hr/>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest on cash investments - unrestricted	\$ 17,669
Interest on cash investments - closure/post-closure care	67,096
	<hr/>
Net Non-Operating Receipts	\$ 84,765
	<hr/>
Change in Net Assets - Cash Basis	\$ 221,754
	<hr/>
Change in Net Assets, beginning of year	1,864,308
	<hr/>
Change in Net Assets, end of year	\$ 2,086,062
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See Notes to Financial Statements.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2007

**NOTE 1. REPORTING ENTITY**

The Regional Environmental Improvement Commission of Iowa County, Iowa (REIC) is a voluntary joint undertaking of units of government in Iowa County, Iowa, pursuant to the provisions of Chapter 28E of the Code of Iowa.

The REIC was established on May 4, 1971, for the purpose of assisting individuals and communities in Iowa County, Iowa in their efforts to collect, transport, and dispose of solid waste and to otherwise preserve and improve the natural environment of said region. The REIC is further established for the purpose of developing, operating and maintaining sanitary landfill and recycling facilities to carry out the foregoing purpose.

The members of the REIC include Iowa County and the cities of Ladora, Marengo, Millersburg, North English, Parnell and Williamsburg. The governing body of the REIC is composed of seven representatives from Iowa County, one representative from each of the six member cities, and one representative from the Iowa County Health Department. The representatives are appointed by the participating political subdivisions and each has one vote.

For financial reporting purposes, the REIC has included all funds, organizations, agencies, boards, commissions and authorities. The REIC has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the REIC are such that exclusion would cause the REIC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the REIC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the REIC. The REIC has no component units which meet the Governmental Accounting Standards Board of criteria.

Certain representatives of the REIC governing body are also members of other county and city boards and commissions in Iowa County. Those boards and commissions are not financially accountable to the REIC or the nature and significance of the relationship with the REIC are such that exclusion does not cause the financial statements of the REIC to be misleading or incomplete.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The REIC maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the REIC are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the REIC in accordance with United States generally accepted accounting principles.



**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2007

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation** - The accounts of the REIC are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**Restricted Assets and Net Assets** - Funds set aside for payment of closure and post-closure care costs are classified as restricted.

**NOTE 3. CASH AND INVESTMENTS**

The REIC's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The REIC is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The REIC's deposits as of and during the year ended June 30, 2007 were maintained in checking accounts, savings accounts and certificates of deposit.

*Interest Rate Risk* - The REIC's investment policy does not limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within a specified number of days. Funds not identified as operating funds may be invested in long-term investments, but the maturities shall be consistent with the needs and use of the REIC.

**NOTE 4. LANDFILL PERMIT**

The REIC landfill permit is for the period July 11, 2004 through July 11, 2007.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2007

**NOTE 5. CLOSURE AND POST-CLOSURE CARE COSTS**

To comply with Federal and State regulations, the REIC is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure.

Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of compacted clay and twenty-four inches of soil to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, changes in technology, or changes in applicable laws and regulations.

The total costs for the REIC as of June 30, 2007 have been estimated at \$1,728,400. The estimated remaining life of the landfill is 7 years. The REIC has established a Closure/Post-Closure Trust Fund in accordance with Chapter 567-111.6(1) of the Iowa Administrative Code to accumulate resources to fund these costs. At June 30, 2007, the balance in this fund was \$1,535,723.

**NOTE 6. PENSION AND RETIREMENT BENEFITS**

The REIC contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50603-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the REIC is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The REIC's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$10,081, \$8,064 and \$8,772, respectively, equal to the required contributions each year.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2007

**NOTE 7. RELATED PARTY TRANSACTIONS**

The REIC had business transactions between the REIC and REIC officials totaling \$3,156 during the year ended June 30, 2007.

**NOTE 8. RISK MANAGEMENT**

The REIC is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various government entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basic rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The REIC's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The REIC's annual contributions to the Pool for the year ended June 30, 2007 were \$16,451.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automotive, police professional, and public officials' liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2007

**NOTE 8. RISK MANAGEMENT (Continued)**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The REIC also carries commercial insurance purchased from other insurers for worker's compensation coverage. The REIC assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9. SOLID WASTE TONNAGE FEES RETAINED**

The REIC has established accounts for restricting and using those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee retained must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure and/or post-closure plan, (3) development of a plan for the control and treatment of leachate, which may include a facility plan or detailed plans and specifications, and (4) other environmental protection activities. \$1.05 of the retained tonnage fees must be used for the purpose of implementation of waste volume reduction and recycling required by the REIC's approved comprehensive plan.

At June 30, 2007, the REIC had \$24,464 of unspent tonnage fees.

**NOTE 10. COMPENSATED ABSENCES**

REIC employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon retirement, voluntary termination or death. Sick leave hours paid upon retirement, voluntary termination or death are reduced by one-half and are paid at the then effective hourly rate of that employee. These accumulations are not recognized as disbursements by the REIC until used or paid. The REIC's approximate liability for earned compensated absences payable to employees at June 30, 2007 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,504
Sick leave	<u>18,799</u>
Total	<u>\$ 26,303</u>

This liability has been computed based on rates of pay as of June 30, 2007.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

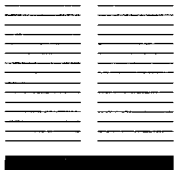
June 30, 2007

**NOTE 11. CONSTRUCTION COMMITMENTS**

On March 14, 2007, the Board of Directors of the REIC approved a bid for the construction of a new cell. The amount of the approved contract was approximately \$356,000. Construction of the new cell began on June 1, 2007 with an estimated completion date of September 15, 2007 for Division I and an estimated completion date of July 1, 2008 for Division II. No amounts were paid on this contract as of June 30, 2007.

**NOTE 12. PENDING LITIGATION**

The REIC is in the process of filing claims along with several other landfills across the State of Iowa against the Iowa Department of Natural Resources, which challenge the Iowa Department of Natural Resources' administrative rules requiring retroactive changes in the design of landfills and installation of monitor wells to landfill facilities. The retroactive changes require extensive reconstruction of landfill facilities. The REIC and the other landfills are petitioning for judicial review of the administrative rules and are seeking to have such administrative rules be ordered as invalid and unenforceable. At this time it is not possible to determine the outcome of this matter and an estimate of the cost of the REIC to comply with the administrative rules, in the event of an unfavorable decision to the REIC, also is not possible to be estimated at this time.



**Greenwood and Crim, P.C.**  
Certified Public Accountants

*Linda Crim Hopkins, C.P.A.*  
*Steven J. Kuhl, C.P.A.*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
and Executive Board  
Regional Environmental Improvement  
Commission of Iowa County, Iowa  
Marengo, Iowa

We have audited the accompanying financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, (REIC) as of and for the year ended June 30, 2007, and have issued our report thereon dated March 24, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the REIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion the effectiveness of REIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of REIC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects REIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of REIC's financial statement that is more than inconsequential will not be prevented or detected by REIC's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by REIC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the REIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the REIC's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of REIC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The REIC's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the REIC's responses, we did not audit the REIC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and Executive Board of the REIC, management, members and constituents of the REIC and other parties to whom the REIC may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of REIC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Greenwood and Armstrong, P.C.*

March 24, 2008

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2007

**Findings Related to the Financial Statements**

**Significant Deficiencies**

07-A      Segregation of Duties

**Comment** - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that substantially all of the custody of the accounting records and the performance of control procedures are concentrated among two persons.

**Recommendation** - The limited number of personnel makes it difficult to achieve ideal internal accounting control through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, and the analysis of financial information by a small staff makes it difficult to establish an ideal system of automatic internal checks on accounting records accuracy and reliability. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend that management and the Board of Directors review the internal control policies and procedures on a regular basis to obtain the maximum internal control possible under the circumstances.

**Response** - We have some Board members involved in some procedures in our system, primarily approval of invoices for payment. We have implemented several new procedures since June 30, 2005. These new procedures have strengthened controls over cash collections and deposits and bank reconciliations. We will continue to review our operational procedures and segregate duties to the extent possible under the circumstances.

**Conclusion** - Response accepted.

**Instances of Noncompliance**

No matters were noted.



**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2007

**Other Findings Related to Statutory Reporting**

- 07-1      **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 07-2      **Travel Expense** - No expenditures of REIC money for travel expenses of spouses of REIC officials or employees were noted. No travel advances for REIC officials or employees were noted.
- 07-3      **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation - The REIC should ensure that the minutes of all meetings are published as required.

Response - We will publish the minutes, including the schedule of bills allowed and gross salaries, for all future meetings.

Conclusion - Response accepted.

07-4      **Deposits and Investments**

Comment - The REIC has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. This matter has been noted in prior year audits.

Recommendation - The REIC should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response - We have not yet completed a written investment policy but are still working on it and plan to complete it during the year ending June 30, 2008. We have been following our long-standing unwritten policy of investing our cash only in checking accounts, savings accounts, and certificates of deposit in banks solely in Iowa County.

Conclusion - Response accepted.

Comment - One of the REIC's certificates of deposit at Keystone Bank did not have a rate of interest that meets the minimum required rate.

Recommendation - The REIC should contact the bank and have the rate changed to meet the minimum required rate. The bank also should pay any additional interest on this certificate of deposit since it was renewed in March 2007.

Response - We will contact the bank to have the rate adjusted to meet the required minimum rate and we will also request any additional interest due us.

Conclusion - Response accepted.

**REGIONAL ENVIRONMENTAL IMPROVEMENT  
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2007

**Other Findings Related to Statutory Reporting (Continued)**

07-5      **Solid Waste Fees Retained** - During the year ended June 30, 2007, the REIC used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

07-6      **Financial Assurance** - The REIC has demonstrated financial assurance for closure and post-closure care costs by establishing a trust fund as provided by Chapter 111.6(1) of the Iowa Administrative Code. The calculation is as follows:

Total estimated closure and post-closure costs	\$ 1,728,400
Less value of the trust fund on July 31, 2006	<u>1,426,628</u>
	<u><u>\$ 301,772</u></u>
Projected deposit:	
The above amount divided by the remaining estimated useable life. The remaining estimated useable life is seven years. (\$301,772/7)	
	<u><u>\$ 43,110</u></u>

As of June 30, 2007, the REIC has made all required contributions to the trust fund.

07-7      **Business Transactions** - Business transactions between the REIC and officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Keith Stanerson, Vice-Chairperson: Owner - Stanerson Implement	Repair parts 3-point blade	\$ 188 2,300
Richard A. Heller, son of REIC Director, Richard D. Heller: Owner - Owl Technology	Computer repair and parts	\$ 668

The transactions with Mr. Stanerson do not appear to represent a conflict of interest. Repair parts are purchased based on best price available.

The transactions with Mr. Heller do not appear to represent a conflict of interest. Computer repairs and parts are purchased based on best price available.